

CHAPTER 1

Introduction

Medicare is not a discretionary Government handout. Nor is it a welfare scheme. It is an insurance system to which everyone contributes according to their income. They then have a universal right to coverage. That solves all the problems of protecting pensioners, the unemployed, other low-income earners, large families and the chronically ill with equity, dignity and less intrusion into their affairs than any alternative.¹

Background to the Inquiry

1.1 On 14 May 2003, the Government announced in its Budget a number of significant changes to the existing Medicare scheme, titled ‘*A Fairer Medicare – Better Access, More Affordable*’. The Senate subsequently agreed, on 15 May 2003, to the appointment of the Select Committee on Medicare, to inquire into and report by 12 August 2003, on the following matters:

The access to and affordability of general practice under Medicare, with particular regard to:

- (a) the impact of the current rate of the Medicare Benefits Schedule and Practice Incentive Payments on practitioner incomes and the viability of bulk-billing practices;
- (b) the impact of general practitioner shortages on patients' ability to access appropriate care in a timely manner,
- (c) the likely impact on access, affordability and quality services for individuals, in the short- and longer-term, of the following Government-announced proposals:
 - (i) incentives for free care from general practitioners limited to health care card holders or those beneath an income threshold,
 - (ii) a change to bulk-billing arrangements to allow patient co-payment at point of services co-incidental with direct rebate reimbursement,
 - (iii) a new safety net for concession cardholders only and its interaction with existing safety nets, and

1 Professor John Deeble, *Not ailing, but in need of a check-up*, Sydney Morning Herald, 10 March 2003, p. 15

- (iv) private health insurance for out-of-hospital out-of-pocket medical expenses; and
- (d) alternatives in the Australian context that could improve the Medicare principles of access and affordability, within an economically sustainable system of primary care, in particular:
 - (i) whether the extension of federal funding to allied and dental health services could provide a more cost-effective health care system,
 - (ii) the implications of reallocating expenditure from changes to the private health insurance rebate, and
 - (iii) alternative remuneration models that would satisfy medical practitioners but would not compromise the principle of universality which underlies Medicare.

1.2 On 19 June 2003, the Senate referred to the Select Committee the Health Legislation Amendment (Medicare and Private Health Insurance) Bill 2003 which was the legislative enactment of the budget announcements. With the reference of this bill, and the time pressures associated with the Committee's hearings program, the reporting date was extended initially until 9 September 2003, and then until 30 October 2003.

Conduct of the Inquiry

1.3 The Inquiry was advertised in *The Australian* on 21 May 2003 and then on a number of further occasions. The Committee also wrote to a wide range of individuals and organisations, including all State and Territory governments, inviting submissions and posted information concerning the Inquiry on the internet. The initial closing date for submissions was 18 June. This was extended to 10 July following the reference of the bill. The Committee continued to receive submissions through the course of the Inquiry.

1.4 The Committee received 226 submissions as well as seven confidential submissions. A list of all submissions and other documents authorised for publication that were received during the inquiry is at Appendix 1. The Committee Chair, Senator McLucas, presented to the Senate a petition with over 11 000 signatures that strongly supported Medicare and a universal public health system. The petition had been circulated by the Public Hospitals Health and Medicare Alliance of Queensland. The terms of the petition are reproduced in Appendix 1.

1.5 The Committee commenced its hearing program by convening an expert roundtable discussion in Canberra on 21 July. This was followed by public hearings in Sydney, Newcastle, Melbourne (twice), Perth, Adelaide, Hobart, Bundaberg, Brisbane and Canberra. A full listing of the Committee's public hearings, and the witnesses who appeared, is at Appendix 2. Transcripts of the public hearings and roundtable discussion may be accessed through the Internet at <http://www.aph.gov.au/hansard/index.htm>

Commissioned research

1.6 An important issue emerged early in the Inquiry, namely the extent to which the Government's 'A Fairer Medicare' package contained measures that could have an inflationary effect on the cost of health care. This view had been articulated in a number of submissions received by the Committee.² However the Department of Health and Ageing maintained that there were no elements in the package that would tend to create this effect, and as such, no modeling of the cost effects of the package was necessary.³

1.7 A majority of the Committee believed the issue should be independently assessed. Given the implications of higher costs for access to health care, and the number of submissions that raised the issue of possible inflationary effects, it was necessary to settle the issue (to the extent possible) by some definitive analysis. Consequently, and in the absence of any departmental modeling, the Committee commissioned the Australian Institute for Primary Care (AIPC) at LaTrobe University, headed by Professor Hal Swerissen, to conduct this research. The President of the Senate approved the commissioning of the research.

1.8 The AIPC was asked what, if any, inflationary effects on health care costs for consumers are likely to emerge from the:

- **Government's 'A Fairer Medicare' package**, including incentives to practices that agree to bulk-bill all concession card holders, the capacity for non-concessional patients to pay only the gap at the point of service, the introduction of a new \$500 safety net for concession card holders, and the creation of a category of private health insurance for out of hospital costs where they exceed \$1000; and
- **Opposition proposal**, including measures to increase the patient rebate to 95% of the scheduled fee for bulk-billed services, and the introduction of incentive payments to encourage bulk-billing target rates in metropolitan, outer-metropolitan and rural and regional areas.

1.9 The AIPC presented its report to the Committee on 19 September 2003, and the research team then met with the Committee in Canberra on 23 September. The briefing by AIPC on the conduct and outcomes of their research, as well as the subsequent discussion with the Committee were held in public and the transcript is accessible from the Internet at <http://www.aph.gov.au/hansard/index.htm>. The AIPC report is included as Attachment 1.

2 For example Professor Wilson, *Proof Committee Hansard*, Canberra, 21 July 2003, p. 30; Professor Deeble, *Proof Committee Hansard*, Canberra, 21 July 2003, p. 46; Professor Richardson, Submission 52.

3 See for example: Mr Stuart, *Community Affairs Legislation Committee Hansard*, Consideration of Budget Estimates, 2 June 2003, p. 41; Mr Davies, *Proof Committee Hansard*, Canberra, 21 July 2003, p. 37. see also Mr Davies, *Proof Committee Hansard*, Canberra, 28 August 2003, p. 69. This issue is discussed in detail in Chapter 8 – Bulk billing under the government package.

Structure of the report

1.10 The report deals with the terms of reference and the Health Legislation Amendment (Medicare and Private Health Insurance) Bill 2003 simultaneously, and comprises three parts.

1.11 Part 1 contains an overview of Medicare, its history and objectives, including the concepts of bulk-billing and universality. Addressing terms of reference (a) and (b), chapters 3 and 4 consider the viability of general practice in Australia, and current problems in access to medical services.

1.12 Part 2 addresses term of reference (c), and assesses the government's 'A Fairer Medicare' package, considering measures relating to: bulk-billing; direct payment of the Medicare rebate at the point of service; additional safety nets; and workforce measures in chapters 5 to 8 respectively.

1.13 Part 3 then considers term of reference (d), and alternative options to improve access and affordability in Australian health care. Chapter 9 considers the ALP policy, and chapter 10 examines the potential to extend Medicare funding to allied and dental health services. Chapter 11 assesses the benefits and costs of reallocating the Private Health Insurance rebate to other health programs. Chapter 12 then addresses a range of other options including reformed funding arrangements, and moves to a more integrated primary care model.

Assistance with the Inquiry

1.14 In the course of the Inquiry, the Committee received a large number of submissions from a range of organisations and private individuals, together with a wealth of supporting documents, reports, and other references. Others gave freely of their time in appearing before the Committee at its public hearings, and in many cases, undertook additional work to provide follow up information to the Committee in response to questions raised during the discussions.

1.15 The Committee would like to record its appreciation to all of these people for the time taken in preparing their evidence to the Inquiry, all of which contributed greatly to the Committee's consideration of these complex issues.

1.16 Recognition is also due to the research team from the Australian Institute of Primary Care at Latrobe University who, at the request of the Committee, undertook the detailed modeling of the cost and inflationary implications of the government and opposition proposals. This commissioned research was undertaken with tight time limitations, and the Committee appreciates the expertise of the Institute in completing the research within the Committee's timetable.

1.17 Finally, the Committee thanks the officers of the Secretariat team who administered the Inquiry, and assisted with the research and drafting of the report.